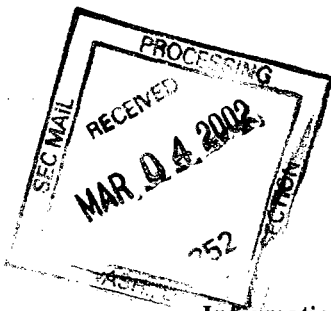




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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	October 31, 2001
Estimated average burden hours per response.....	12.00

SEC FILE NUMBER
8- 50648

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/01 AND ENDING 12/31/01
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Hudson Heritage Capital Management,
Inc.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

392 Albany Post Road

(No. and Street)

Croton-on-Hudson

(City)

New York

(State)

10520

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Dominick T. Scianandre

914 271-8100

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Joseph C. Gallo, CPA, PC

(Name - if individual, state last, first, middle name)

46 Kingston Avenue

(Address)

West Harrison

(City)

New York

(State)

10604

(Zip Code)

CHECK ONE:

☒ Certified Public Accountant

☐ Public Accountant

☐ Accountant not resident in United States or any of its possessions.

PROCESSED
MAR 28 2002
THOMSON
FINANCIAL

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2).

823-28

OATH OR AFFIRMATION

I, Dominick T. Scianandre, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Hudson Heritage Capital Management, Inc., as of December 31, 20 01, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Dominick T. Scianandre
Signature

President
Title

Joyce A. Fisher
Notary Public



This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☐ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☒ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

Joseph C. Gallo, CPA, PC

46 Kingston Avenue • West Harrison, New York 10604

Phone: (914) 428-2566 • Fax: (914) 288-9345

Pager: (800) 715-4359 E-mail: jcg052@aol.com

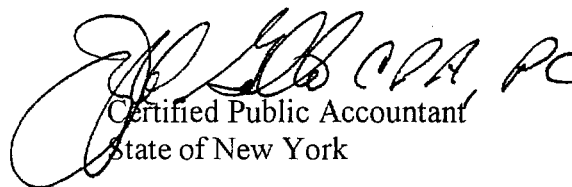
Independent Auditor's Report
On Material Changes or Inadequacies

To the Board of Directors
Hudson Heritage Capital Management, Inc.

We have audited the balance sheet of Hudson Heritage Capital Management, Inc., as of December 31, 2001, and the related statements of income, retained earnings and cash flows for the year then ended. In addition, we audited the overall operations of Hudson Heritage Capital Management, Inc.'s management, ownership and internal controls.

In performing our audit, we found no material changes or inadequacies in accounting procedure; no material changes or inadequacies in internal control procedure; no material changes or inadequacies in the calculation of net capital. In addition, the ownership and the management of Hudson Heritage Capital Management, Inc. have not changed from the prior year or since the formation of the Corporation.

In our opinion, no material changes or inadequacies were found to exist or found to have existed since the date of the previous audit. The financial statements referred to above present fairly, in all material respects, the financial position of Hudson Heritage Capital Management, Inc., as of December 31, 2001, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

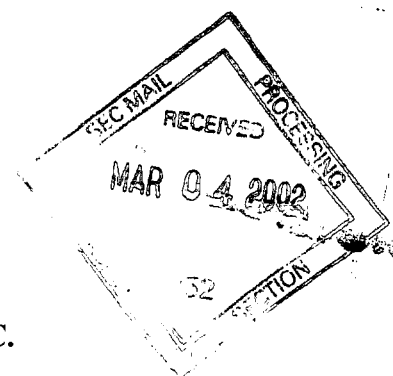

Certified Public Accountant
State of New York

West Harrison, NY
February 22, 2002

HUDSON HERITAGE CAPITAL MANAGEMENT INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2001



HUDSON HERITAGE CAPITAL MANAGEMENT INC.

REPORT INDEX

FOR THE YEAR ENDED DECEMBER 31, 2001

STATEMENT

ACCOUNTANT'S REPORT

FINANCIAL STATEMENTS:

Balance Sheet	1
Statement of Operations and Retained Earnings	2
Statement of Cash Flows	3
Notes to the Financial Statements	4
Statement of Net Capital	5

Joseph C. Gallo, C.P.A., P.C.

46 Kingston Avenue • West Harrison, New York 10604

Phone: (914) 428-2566 • Fax: (914) 288-9345

Pager: (800) 715-4359 E-mail: jcg052@aol.com

Report of Independent Auditors

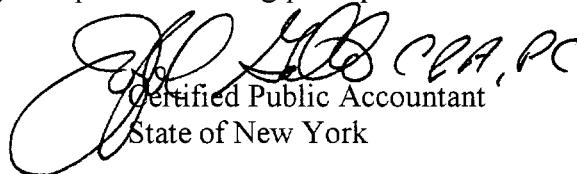
To the Board of Directors

Hudson Heritage Capital Management, Inc.

We have audited the accompanying statements of assets, liabilities and fund balances of Hudson Heritage Capital Management, Inc. as of December 31, 2001, and then related statements of income and retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of Hudson Heritage Capital Management, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts of disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred above present fairly, in all material respects, the financial position of Hudson Heritage Capital Management, Inc., as of December 31, 2001, and the results of its operations and its cash flows for the year ended, in conformity with generally accepted accounting principles.


Certified Public Accountant
State of New York

West Harrison, NY

February 22, 2002

HUDSON HERITAGE CAPITAL MANAGRMRNT INC.
BALANCE SHEET
DECEMBER 31, 2001

ASSETS

CURRENT ASSETS:

Cash	\$	44,335
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Total current assets		<u>44,335</u>
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PROPERTY AND EQUIPMENT:

Computer Equipment	19,288
Computer software	7,055
Furniture and Fixtures	27,959
Less: Accumulated depreciation and amortization	<u>(18,722)</u>

Total Property and Equipment	<u>35,580</u>
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TOTAL ASSETS	\$	<u><u>79,915</u></u>
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LIABILITIES AND SHAREHOLDER'S DEFICIT

CURRENT LIABILITIES:

Accrued Liabilities	\$	11,109
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SHAREHOLDERS' EQUITY:

Common Stock, no par 200 shares authorized	
100 shares issued	2,000
Paid in Capital	20,000
Retained earnings	<u>46,806</u>

TOTAL LIABILITIES AND SHAREHOLDER'S EARNINGS	\$	<u><u>79,915</u></u>
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STATEMENT NO. 2

HUDSON HERITAGE CAPITAL MANAGEMENT INC
STATEMENT OF OPERATIONS AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31,2001

REVENUE	\$ <u>210,634</u>
OPERATING EXPENSES:	
Payroll and Payroll Tax Expense	86,887
Rent	31,332
Office Services	25,827
Commissions	17,047
Insurance	19,066
Depreciation	9,735
Automobile Expenses	6,651
Utilities and Telephone	4,811
Licenses and Registrations	3,690
Professional Fees	3,539
Equipment Rental and Repairs	3,307
Computer Software	1,738
Bad Debt	1,646
Supplies	1,107
Promotions	769
Entertainment	743
Miscellaneous	<u>1,609</u>
TOTAL OPERATING EXPENSES	<u>219,504</u>
NET INCOME	(8,870)
RETAINED EARNINGS - BEGINNING OF YEAR	55,676
RETAINED EARNINGS - END OF YEAR	\$ <u><u>46,806</u></u>

See Notes to Financial Statements

STATEMENT NO.3

HUDSON HERITAGE CAPITAL MANAGEMENT INC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2001

CASH FLOWS FROM OPERATING ACTIVITIES:

Net loss		\$	(8,870)
Adjustments to reconcile net profit to net cash used in operating activities:			
Depreciation	\$	9,735	
Decrease (Increase) in:			
Accounts receivable, net		697	
Increase (decrease) in:			
Accounts payable and accrued expenses		3,793	
Total adjustments			<u>14,225</u>
Net Cash Provided from Operating Activities			<u>5,355</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Expenditures for machinery and equipment	<u>(1,332)</u>	
Net Cash Used in Investing Activities		<u>(1,332)</u>

NET DECREASE IN CASH 4,023

CASH:

Beginning of year	<u>40,312</u>
End of year	<u>\$ 44,335</u>

See Notes to Financial Statements

STATEMENT 4

HUDSON HERITAGE CAPITAL MANAGEMENT INC. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 1. BUSINESS ORGANIZATION

The Company operates as a NASD member firm and registered investment advisor. The Company and its owners are licensed with the NASD. As of December 31, 2001 all registration fees and required filings have been made to the NASD and the related state securities authorities.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Accounting Basis:

The financial statements of Hudson Heritage Capital Management Inc. are prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

2. Property and Equipment:

Property and equipment is stated at cost. Depreciation is calculated on both the straight line method over the estimated useful life of the assets.

3. Income Taxes:

The Company with the consent of its shareholders has elected S Corporation status for Federal and New York State income tax purposes. As such, the stockholders of the Company are required to include the Company's taxable income on their individual income tax returns. Accordingly, there is no provision for Federal and New York State income taxes,

4. Net Capital Computation:

As of December 31, 2001, the Company's net capital is \$ 33,226. The Company's excess net capital was \$ 28,226 over the minimum requirements. Its Aggregated Indebtedness was \$ 11,109, and its ratio of Aggregated Indebtedness to net capital was 33%. This was computed pursuant to SEC Rule 15c3-1.

STATEMENT 4

HUDSON HERITAGE CAPITAL MANAGEMENT INC. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

5. Financial Statement Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

NOTE 3. RELATED PARTY:

Hudson Heritage Capital Management Inc. is associated with Hudson Heritage Group. Various expenses are incurred and paid by Hudson Heritage Group under the terms of a service agreement.

STATEMENT NO.5

HUDSON HERITAGE CAPITAL MANAGEMENT INC
STATEMENT OF NET CAPITAL
PURSUANT TO SEC RULE 15c3-1
FOR THE YEAR ENDED DECEMBER 31, 2001

Total Assets	\$	79,915
Less: Total Liabilities		<u>(11,109)</u>
Net Worth		68,806
Less: Non-allocated Assets		<u>35,580</u>
Current Capital		33,226
Less: Haircuts		<u>0</u>
Net Capital		33,226
Less: Required Capital		<u>5,000</u>
Excess Net Capital	\$	<u><u>28,226</u></u>
Aggregated Indebtedness	\$	<u><u>11,109</u></u>
Aggregated Indebtedness to Net Capital		<u><u>33%</u></u>

See Notes to Financial Statements